

could quote for higher profits if he were willing to wait until completion of the job for payment. To show that his operation was sound, lie included a list of customers and projects with his loan application. He also included a list of current receivables.

Cooper told the loan officer that he had monitored his firm's financial status closely and that he had financial reports prepared every six months. He said that he would send a copy to the bank. In addition, he was willing to file a personal financial statement with the bank.

Assignment

Prepare your recommendation on Arther Cast Company.

MBA 06

M.B.A. DEGREE EXAMINATION, JUNE 2007.

Second Semester

(Common for HRM/Marketing/Finance/International Business)

Paper VI — FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 6 = 30 marks)

Answer any FIVE out of the following.

1. Explain the various finance goal.
2. Discuss the role of capital budgeting in financial decision making.
3. What assumptions are made for calculating cost of equity capital?
4. What is financial leverage? Discuss the effect of it on earnings per share.
5. Explain the components of a capital structure.
6. What are the forms of dividend?

7. Explain the various sources of working capital.

8. "High levels of working capital decrease risk and decrease return" - Comment.

SECTION B — ($5 \times 10 = 50$ marks)

Answer any FIVE of the following.

9. Describe the various functions of Finance Manager of a large scale organisation.

10. Explain the various capital budgeting techniques.

11. Discuss the major factors affect the capital structure of a firm.

12. "The bases of M-M thesis for optimal capital structure are unrealistic" - Comment,

13. Discuss the Gordon's model of dividend decision.

14. Enumerate the techniques of forecasting of working capital requirements of a firm.

15. Discuss the trends in bank financing of industries.

16. Why must a company impute a cost to retained earnings?

SECTION C — ($1 \times 20 = 20$ marks)

(Compulsory)

17. Case Study :

ARTHER CAST CASE :

CREDIT DECISION

On August 30, 1998, the Arther Cast Company, Inc., applied for a \$200,000 loan from the main office of the National Bank of New York. The application was forwarded to the bank's commercial loan department.

Cooper the president and principal stockholder of Arther cast, applied for the loan in person. He told the loan officer that he had been in business since February 1976, but that he had considerable prior experience in flooring and carpets since he had worked as an individual contractor for the past 20 year. Most of this time, he had worked in Frankfert and Michigan. He finally decided to "work for himself" and he formed the company with Berry Hook, a former coworker. This information seemed to be consistent with the Dun and Bradstreet report obtained by the bank.

According to Cooper, the purpose of the loan was to assist him in carrying his receivables until they could be collected. He explained that the flooring business required him to expend considerable cash to purchase materials but his customers would not pay until the job was done. Since he was relatively new in the business, he did not feel that he could compete if he had to require a sizeable deposit or payment in advance. Instead, he